

**Asia Capital Reinsurance Malaysia
Sdn. Bhd.**

(Company No. 762294-T)
(Incorporated in Malaysia)

**Unaudited interim
financial statements for the period
ended 30 June 2011**

Asia Capital Reinsurance Malaysia Sdn. Bhd.

(Company No. 762294-T)

(Incorporated in Malaysia)

Unaudited Statement of financial position at 30 June 2011

	Notes	30.06.2011 RM'000	31.12.2010 RM'000
Assets			
Property, plant and equipment		5,887	6,023
Investment properties		30,960	30,960
Investments	9	393,319	337,839
Reinsurance assets	10	166,421	115,967
Insurance receivables		62,614	65,128
Other receivables		6,339	5,469
Deferred acquisition costs	11	16,740	20,249
Deferred tax assets		9,999	5,774
Deposits with financial institutions		140,358	169,424
Cash and cash equivalents		2,413	2,506
		<hr/>	<hr/>
Total assets		835,050	759,339
		=====	=====
Equity and liabilities			
Share capital		250,000	250,000
Reserves		(39,492)	(26,227)
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Total equity		210,508	223,773
		-----	-----
Insurance contract liabilities	12	496,714	434,786
Insurance payables		125,904	98,453
Other payables		1,861	2,264
Deferred tax liabilities		63	63
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Total liabilities		624,542	535,566
		-----	-----
Total equity and liabilities		835,050	759,339
		=====	=====

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Unaudited Income statement for the 6 months period ended 30 June 2011

	Notes	30.06.2011 RM'000	30.06.2010 RM'000
Operating revenue		126,829	86,805
Gross earned premiums		124,773	92,342
Premiums ceded to reinsurers		(39,983)	(26,428)
Net earned premiums		84,790	65,914
Investment income		9,266	5,217
Realised gains and losses		2,293	1,306
Fair value gains and losses		-	-
Commission income		10,692	8,854
Other revenue		22,251	15,377
Gross benefits and claims paid		(83,251)	(35,881)
Claims ceded to reinsurers		19,311	15,192
Gross change to contract liabilities		(69,137)	(40,924)
Change in contract liabilities ceded to reinsurers		45,414	13,265
Net claims		(87,663)	(48,348)
Commission expense		(31,224)	(21,447)
Management expense		(4,076)	(3,634)
Other operating expense		(988)	(1,469)
Other expenses		(36,288)	(26,550)
(Loss)/Profit before tax		(16,910)	6,393
Taxation		4,080	(2,700)
(Loss)/Profit for the period		(12,830)	3,693
(Loss)/Profit for the period attributable to equity holders of Company		(12,830)	3,693

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Unaudited Statement of comprehensive income for the 6 months period ended 30 June 2011

	6 months period ended 30.06.2011 RM'000	6 months period ended 30.06.2010 RM'000
Net (loss)/profit for the period	(12,830)	3,693
	=====	=====
Other comprehensive income:		
Available-for-sale fair values reserves		
Net gain arising during the period	(580)	1,173
Tax effect thereon	145	(293)
	-----	-----
	(435)	880
	-----	-----
Total comprehensive (loss)/income for the period	(13,265)	4,573
	=====	=====
Comprehensive (loss)/income for the period attributable to equity holders of Company	(13,265)	4,573
	=====	=====

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Unaudited Statement of changes in equity for the 6 months period ended 30 June 2011

	-----Non-Distributable-----			Distributable	
	Share capital RM'000	Property revaluation reserve RM'000	Available- for-sale RM'000	Accumulated losses RM'000	Total equity RM'000
1 January 2011	250,000	1,190	3,526	(30,943)	223,773
Total comprehensive income for the year	-	-	(435)	(12,830)	(13,265)
At 30 June 2011	250,000	1,190	3,091	(43,773)	210,508
1 January 2010	250,000	-	339	(13,393)	236,946
Effects of adopting impairment measurement for insurance receivables	-	-	-	1,424	1,424
At 1 January 2010, restated	250,000	-	339	(11,969)	238,370
Total comprehensive income for the year	-	-	880	3,693	4,573
At 30 June 2010	250,000	-	1,219	(8,276)	242,943

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Unaudited Statement of cash flow for the 6 months period ended 30 June 2011

	6 months period ended 30.06.2011 RM'000	6 months period ended 30.06.2010 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(16,910)	6,393
Adjustments for:		
Depreciation	177	239
Fair value gains recorded in income statement	-	-
Property, plant and equipment disposed/written off	-	3
Investment income	(8,962)	(5,555)
Gain on disposal of investments, net	(2,293)	(1,306)
Accretion of discounts	(85)	(99)
Amortisation of premium	119	173
	-----	-----
Loss from operations before changes in operating assets and liabilities	(27,954)	(152)
Purchase of securities/investments	(141,099)	(74,272)
Proceeds from disposal of securities/investments	87,298	67,422
(Increase)/Decrease in fixed deposits	29,066	(32,377)
Increase in reinsurance assets	(50,454)	(21,977)
Increase in deferred acquisition costs	3,509	3,043
Increase in receivables	2,629	307
Increase in insurance contract liabilities	61,928	30,171
Increase in payables	27,048	21,935
	-----	-----
Cash (used in)/generated from operations	(8,029)	(5,900)
Tax (paid)/refunded	(635)	47
Interest income received	8,402	5,460
Dividend income received	210	215
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Net cash from operating activities	(52)	(178)
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Unaudited used Statement of cash flow for the 6 months period ended 30 June 2011 (continued)

	6 months period ended 30.06.2011 RM'000	6 months period ended 30.06.2010 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(41)	(23)
Proceeds from disposal of property, plant and equipment	-	2
	(41)	(21)
	(41)	(21)
Net decrease in cash and cash equivalents	(93)	(199)
Cash and cash equivalents at beginning of year	2,506	2,594
	2,413	2,395
	2,413	2,395
Cash and cash equivalents comprise:		
Cash and bank balances	2,413	2,395
	2,413	2,395

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Notes to the unaudited interim financial statements

Asia Capital Reinsurance Malaysia Sdn. Bhd. is a limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Registered office and principal place of business

Unit A-12A-8, Level 12A,

Menara UOA Bangsar,

5 Jalan Bangsar Utama 1,

59000 Kuala Lumpur.

The Company is principally engaged in underwriting general reinsurance business. There have been no significant changes in this activity during the financial year.

The immediate and ultimate holding companies are Kuala Selangor Ventures Sdn. Bhd. and Khazanah Nasional Berhad respectively. Both companies are incorporated in Malaysia.

The unaudited interim financial statements were approved by the Board of Directors on 18th August 2011.

1. Basis of preparation

Statement of compliance

The interim financial statements of Asia Capital Reinsurance Malaysia Sdn Bhd (“the Company”) is unaudited and have been prepared in accordance with Financial Reporting Standards (FRS) as modified by Guidelines/Circulars issued by Bank Negara Malaysia (“BNM”) and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2010.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the Company’s audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following:

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2. Basis of preparation (continued)

Statement of compliance (continued)

FRSs/ Interpretations	Effective date
Amendments to FRS 132, <i>Financial Instruments: Presentation – Classification of Right Issues</i>	1 March 2010
Amendments to FRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 138, <i>Intangible Assets</i>	1 July 2010
IC Interpretation 16, FRS 2 – <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17, <i>Distribution of Non-cash Assets to Owners</i>	1 July 2010
Amendments to IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 July 2010
Amendments to FRS 7, <i>Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments</i>	1 January 2011
IC Interpretation 4, <i>Determining whether an Arrangement contains a Lease</i>	1 January 2011
Improvements to FRSs (2010)	1 January 2011

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any significant financial impact to the financial statements upon their first adoption.

3. Comments on seasonality or cyclicity

The business operations of the Company were not significantly affected by seasonality or cyclical factors for the period under review.

4. Unusual item affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income, or cash flows which are unusual because of their nature, size, or incidence in the current interim period ended 30 June 2011.

5. Material changes in estimates

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2011.

6. Dividend paid

No dividend has been paid by the Company in the current interim period ended 30 June 2011.

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7. Events after the interim period

There were no material events after the interim period that have not been reflected in the financial statements for the interim period.

8. Effect of changes in the composition of the Company

There were no changes in the composition of the Company during the period under review.

9. Investments

All the Company's investment are classified as available-for-sale and comprise as follows:

	30.06.2011	31.12.2010
	RM'000	RM'000
Malaysian Government Securities/ Government Investment Issues	44,117	48,729
Corporate debt securities	175,215	164,013
Equity securities	20,572	19,448
Unit trust in Malaysia	153,415	105,649
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	393,319	337,839
	=====	=====

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9. Investments (continued)

(a) Available-for-sale (AFS) financial assets

	31.12.2010		31.12.2009	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Malaysian Government Securities/ Government Investment Issues Unquoted in Malaysia	44,117	44,117	48,729	48,729
Corporate debt securities Unquoted in Malaysia	175,215	175,215	164,013	164,013
Equity securities in corporations Quoted in Malaysia	20,572	20,572	19,448	19,448
Unit trust Quoted in Malaysia	153,415	153,415	105,649	105,649
Total AFS financial assets	<u>393,319</u> =====	<u>393,319</u> =====	<u>337,839</u> =====	<u>337,839</u> =====

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9. Investments (continued)

(b) Estimated of fair values

The fair values of quoted securities and unit trusts are their quoted closing market prices at the end of the reporting period.

The fair values for Malaysian Government Securities, Government Investment Issues and corporate debt securities are their indicative mid market prices or last traded prices quoted by Bond Pricing Agency Malaysia at the end of the reporting period.

(c) Carrying values of investments:

	30.06.2011	31.12.2010
	RM'000	RM'000
At 1 January	337,839	246,074
Addition	141,099	302,386
Disposal/Maturity/Repayment	(85,005)	(214,798)
Fair value gains recorded in other comprehensive income	(580)	4,249
Amortisation	(119)	(284)
Accretion	85	212
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At 31 December	393,319	337,839
	=====	=====

10. Reinsurance assets

	30.06.2011	31.12.2010
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	122,109	76,696
Premium liabilities	44,310	39,271
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	166,419	115,967
	=====	=====

The carrying amounts disclosed above in respect of the reinsurance assets of insurance contracts approximate fair value at the balance sheet date.

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11. Deferred acquisition costs

	30.06.2011	31.12.2010
	RM'000	RM'000
Gross of reinsurance		
At 1 January	29,103	20,626
Movement during the period/year	(2,593)	8,477
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At 31 December	26,510	29,103
	<hr/> <hr/>	<hr/> <hr/>
Reinsurance		
At 1 January	(8,854)	(6,162)
Movement during the period/year	(916)	(2,692)
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At 31 December	(9,770)	(8,854)
	<hr/> <hr/>	<hr/> <hr/>
Net of reinsurance		
At 1 January	20,249	14,464
Movement during the period/year	(3,509)	5,785
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At 31 December	16,740	20,249
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12. Insurance contract liabilities (continued)

(a) Provision for outstanding claims

	← 30.06.2010 →			← 31.12.2010 →		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	294,271	(76,696)	217,575	136,497	(48,969)	87,528
Loss Portfolio Assumption	-	-	-	109,400	-	109,400
Claims incurred during the period/year	152,388	(64,725)	87,663	186,477	(53,439)	133,038
Claims paid during the period/year	(83,251)	19,311	(63,940)	(138,103)	25,712	(112,391)
At 30 June/31 December	363,408	(122,110)	241,298	294,271	(76,696)	217,575

(b) Provision for unearned premiums

	← 30.06.2010 →			← 31.12.2010 →		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	140,515	(39,271)	101,244	102,931	(30,609)	72,322
Premium written during the period/year	117,564	(45,023)	72,541	248,975	(92,282)	156,693
Premium earned during the period/year	(124,773)	39,983	(84,790)	(211,391)	83,620	(127,771)
At 30 June/31 December	133,306	(44,311)	88,995	140,515	(39,271)	101,244

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13. Operating leases commitments

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	30.06.2010	31.12.2010
	RM'000	RM'000
Less than one year	2	1
Between one and five years	22	-
	<u>24</u>	<u>1</u>
	=====	=====

The Company leases some office equipment under operating leases. The leases typically run for a period ranging from 2-5 years, with an option to renew the leases after that date.

14. Regulatory capital requirements

The capital structure of the Company as at 30 June 2011, as prescribed under the Risk-Based Capital Framework is provided below:

	30.06.2011	31.12.2010
	RM'000	RM'000
Eligible Tier 1 Capital		
Share Capital (paid-up)	250,000	250,000
Retained losses	(43,773)	(30,943)
	<u>206,227</u>	<u>219,057</u>
	=====	=====
Tier 2 Capital		
Eligible reserves	4,281	4,716
	<u>210,508</u>	<u>223,773</u>
	=====	=====
Total capital available		